

Message Text

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ACTION STR-06

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INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
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E.O. 11652: N/A
TAGS: ETRD, GATT, PK
SUBJECT: GATT: BOP CONSULTATIONS - PAKISTAN

1. GATT DOCUMENT (BOP/180) SUBMITTED BY PAKISTAN AS BASIC DOCUMENT FOR BOP CONSULTATIONS IS SKIMPY THREE-PAGE DESCRIPTION OF BOP SITUATION WITH SEVEN STATISTICAL ANNEXES AND ONE ANNEX CONTAINING TEXT OF BASIC (1950) IMPORT AND EXPORT CONTROL ACT.

2. DOCUMENT POINTS OUT CONTINUED WORSENING OF TRADE BALANCE AND BOP IN 1976/77 DUE TO (A) DETERIORATION IN TERMS OF TRADE, (B) STAGNATION OF EXPORTS DUE TO TWO SUCCESSIVE POOR COTTON CROPS, AND (C) CONTINUING NEED FOR HIGH LEVEL OF IMPORTS FOR "MAINTENANCE" PURPOSES. SINCE 1972/73 RATIO OF EXPORTS TO IMPORTS DETERIORATED FROM 1.02 TO 0.49. ONE-THIRD OF EXPORT EARNINGS IS NOW NEEDED FOR DEBT SERVICING (DEBT SERVICING TO EXPORT EARNINGS EQUALLED 36 PERCENT IN 1976)

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AND ONE-THIRD FOR ESSENTIAL IMPORTS (FERTILIZERS, PETROLEUM, WHEAT, EDIBLE OILS). THIS MEANS THAT TWO-THIRDS OF PAKISTAN'S IMPORT REQUIREMENTS ARE FINANCED THROUGH BORROWINGS FROM ABROAD.

3. DESCRIPTION OF PAKISTAN'S IMPORT SYSTEM POINTS OUT, DURING PERIOD UNDER REVIEW, THAT NUMBER OF ITEMS ON

FREE LIST INCREASED FROM 327 TO 407 CREATING AN INCREASED IMPORT BURDEN OF \$250 MILLION. DESCRIPTION OF IMPORT SYSTEM IS LIMITED TO SHORT EXPLANATION OF FREE AND TIED LISTS BUT DOES NOT MENTION SURCHARGES INTRODUCED IN 1976/77 AND 1977/78 OR MARGIN REQUIREMENTS NOTED IN STATE 368485. SIMILARLY, DOCUMENT MAKES NO PROJECTIONS FOR BOP OUTLOOK IN NEAR TERM NOR DOES IT DISCUSS GOP INTENTIONS WITH RESPECT TO FUTURE IMPORT POLICY.

4. COMMENT: ON BASIS OF PAKISTAN SUBMISSION AND IMF DOCUMENTATION, IT IS CLEAR THAT TRADE RESTRICTIONS ARE JUSTIFIED FOR BOP REASONS. WE CONTINUE TO BELIEVE, HAVING MAINTAINED THE PRINCIPLE OF BEING ABLE TO CALL FOR FULL CONSULTATIONS WITH LDC'S, THAT THESE CONSULTATIONS SHOULD BE CONDUCTED IN A NON-CONFRONTATIONAL AND CONSTRUCTIVE MANNER. AT THE SAME TIME, HOWEVER, THE PAKISTANI SUBMISSION GIVES ONLY A CURSORY DESCRIPTION OF THE EXISTING PAKISTANI SYSTEM FOR RESTRICTING IMPORTS, AND WE SHOULD SEEK A MORE DETAILED CLARIFICATION IN THE BOP COMMITTEE. IN DOING SO WE SHOULD ATTEMPT TO POINT OUT POSSIBLE ALTERNATIVE POLICIES, AREAS WHERE VARIOUS IMPORT RESTRAINTS MAY OVERLAP AND SITUATIONS WHERE THEY MAY BE COUNTERPRODUCTIVE (SUCH AS SURCHARGES ON INTERMEDIATE PRODUCTS). WE SHOULD ALSO SEEK PAKISTANI PROJECTIONS FOR BOP AND ASSURANCES THAT PAKISTANIS WILL LIBERALIZE TRADE AS BOP SITUATION IMPROVES. IN ORDER

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TO ENHANCE THE COOPERATIVE ASPECT OF THESE CONSULTATIONS, IT WOULD BE USEFUL IF WE COULD HAVE INSTRUCTIONS A FEW DAYS IN ADVANCE OF THE MEETING SO THAT WE CAN INFORM PAK DEL OF LIKELY U.S. QUESTIONS. VANDEN HEUVEL

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